

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF:	MUTUAL BENEFITS CORPORATION)	
	ITS OFFICERS, DIRECTORS,)	
	EMPLOYEES, AGENTS, AFFILIATES,)	FILE NO: 0400171
	SUCCESSORS, AND ASSIGNS)	

NOTICE OF HEARING

TO THE RESPONDENT: Mutual Benefits Corporation
C/O Colson, Hicks and Edson
255 Aragon Avenue
Coral Gables, FL 33134

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953, [815 ILCS 5/1 et seq.] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 300 South Jefferson Street, Suite 300, Springfield, Illinois 62701, on the 17th day of November, 2004 at the hour of 10:00 a.m., or as soon thereafter as counsel may be heard, before Jon Ellis, or such other duly designated Hearing Officer of the Secretary of State. A copy of the Rules under the Act pertaining to contested cases is attached to this Notice.

Said hearing will be held to determine whether an Order of Prohibition should be entered against Mutual Benefits Corporation its officers, directors, employees, agents, affiliates, successors and assigns in the State of Illinois and granting such other relief as may be authorized under the Act including but not limited to imposition of a monetary fine in the maximum amount pursuant to Section 11 of the Act, payable within ten (10) days of the entry of the Order.

The grounds for such proposed action are as follows:

Count I (Violation of Section 12.A)

1. That Mutual Benefits Corporation ("MBC") is a Florida Corporation incorporated in October 1994,

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located in Fort Lauderdale Florida and currently in receivership.

2. Since 1994, MBC has operated as a Viatical Settlement Provider raising money from investors to purchase Viatical Settlement Contracts.
3. Viatical Settlement Contracts involve the purchase of a life insurance policy from a terminally ill person at a price discounted from the face value of the policy.
4. MBC promised investors guaranteed, fix-rate of returns ranging from 12% to 72% depending on the life expectancy of the insured and term of the Viatical Settlement Contract.
5. MBC represents in its advertising materials and in its Purchase Agreement that it performs the following: 1. identifies and assists investors in the purchase of life insurance policies of terminally ill individuals which comply with certain outlined criteria; 2. Bids upon and enters into any agreements or contracts necessary for life insurance policies that meet certain outlined criteria; 3. Has identified and engaged a Trustee and a separate Escrow Agent which are to be appointed by the Purchaser.
6. From on or about 1996 through 2003, approximately 1,458 Illinois residents invested in Viatical Settlement Contracts through MBC.
7. From on or about 1996 through 2003 MBC had approximately 112 Illinois based sales agents.
8. That the above-described investment contracts are a security as that term is defined pursuant to Section 2.1. of the Illinois Securities Law of 1953 [815 ILCS 5/1 et seq.] (the "Act").
9. That Section 5 of the Act provides, inter alia, that all securities except those set forth under Section 2A of the Act or those exempt under Section 3 of the Act or those offered and sold in transactions exempt under Section 4 of the Act shall be registered with

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the Secretary of State prior to their offer or sale in the State of Illinois.

10. That Section 12.A of the Act provides, inter alia, that it shall be a violation of the Act for any person to offer or sell securities except in accordance with the provisions of the Act.
11. That Section 12.D of the Act provides, inter alia, that it shall be a violation of the Act for any person to fail to file with the Secretary of State any document or application required to be filed under the provisions of the Act.
12. That at all times relevant hereto, MBC failed to file an application for registration of the above-referenced securities with the Secretary of State prior to their offer or sale in the State of Illinois.
13. That by virtue of the foregoing, the Respondent, MBC, has violated Sections 12.A and 12.D of the Act.
14. That Section 11.E(4) of the Act provides, inter alia, that if the Secretary of State, after finding that any provision of the Act has been violated, may impose a fine as provided by rule, regulation or order not to exceed \$10,000.00 for each violation of the Act.
15. That by virtue of the foregoing, MBC, its officers, directors, employees, agents, affiliates, successors and assigns is subject to a fine of up to \$10,000.00 per violation.
16. That Section 11.E(2) of the Act provides, inter alia, that if the Secretary of State shall find that any person has violated subsection D of Section 12 of the Act, the Secretary of State may by written order prohibit the person from offering or selling any securities in this State.

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Count II (Violation of Section 12.F)

- 1-8. Paragraphs 1-8 of Count I are re-alleged and incorporated as Paragraphs 1-8 of this Count II.
9. MBC through its agents and offering materials represented that its Viatical Settlement Contracts were "safe and secure" and provided a "guaranteed, fixed rate of return."
10. These statements were misleading because MBC failed to disclose that life insurance policies could lapse, terminate or fail to be honored which would foreclose payment on the policies. Additionally, the rate of return is based upon the life expectancy of the insured. Should the insured live longer than expected the rate of return would be reduced due to the increased premiums that would need to be paid and the longer time period before the return is received. In many transactions, the insured lived longer than the declared life expectancy.
11. Section 12.F of the Act provides that it shall be a violation of the Illinois Securities Act for any person to engage in any transaction, practice or course of business in connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.
12. That by virtue of the foregoing, the Respondent, MBC, has violated Section 12.F of the Act.
13. That Section 11.E(4) of the Act provides, inter alia, that if the Secretary of State, after finding that any provision of the Act has been violated, may impose a fine as provided by rule, regulation or order not to exceed \$10,000.00 for each violation of the Act.
14. That by virtue of the foregoing, MBC, its officers, directors, employees, agents, affiliates, successors and assigns is subject to a fine of up to \$10,000.00 per violation.
15. That Section 11.E(2) of the Act provides, inter alia, that if the Secretary of State shall find that any

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person has violated subsection F of Section 12 of the Act, the Secretary of State may by written order prohibit the person from offering or selling any securities in this State.

You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 Ill. Adm. Code 130) (the "Rules"), to file an answer to the allegations outlined above or a Special Appearance pursuant to Section 130.1107 of the Rules, or other responsive pleading within thirty days of the receipt of this notice. Your failure to do so within the prescribed time shall be deemed an admission of the allegations contained in the Notice of Hearing and waives your right to a hearing.

Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default.

A copy of the Rules, promulgated under the Act and pertaining to Hearings held by the Office of the Secretary of State, Illinois Securities Department, is included with this Notice.

Delivery of notice to the designated representative of any Respondent constitutes service upon such Respondent.

ENTERED: This 30th day of September, 2004

Jesse White *JP*
Jesse White
Secretary of State
State of Illinois

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Attorney for the Secretary of State:

David Finnigan

Illinois Securities Department

Lincoln Tower, Suite 200

520 South Second Street

Springfield, Illinois 62701

Telephone: (217) 785-4947

Enforcement Fax: (217) 782-8876

Hearing Officer:

Jon K. Ellis

1035 S. 2nd St.

Springfield, Ill 62704

217-528-6835

Fax: 217-528-6837